

Public Service Commission of Wisconsin  
Surrebuttal Testimony of Corey S.J. Singletary  
Gas and Energy Division

Northern States Power Company  
Docket 4220-UR-117

November 1, 2011

1 Q. Please state your name.

2 A. My name is Corey S.J. Singletary.

3 Q. Have you previously submitted direct testimony in this proceeding?

4 A. Yes.

5 Q. What is the purpose of your surrebuttal testimony?

6 A. The purpose of my surrebuttal testimony is to respond to the reubuttal testimony  
7 Mr. David Donovan filed on behalf of Northern States Power Company (NSPW)  
8 regarding proposed changes to the company's customer buyback tariffs and Experimental  
9 Advanced Renewable Energy Tariff (ART).

10 Q. Mr. Donovan has indicated that NSPW is opposed to your recommended changes to their  
11 Net Energy Billing (NEB) proposal. How would you respond to this critique?

12 A. I believe that the fundamental disagreement comes out of the fact that the company and I  
13 have differing views of what constitutes a reasonable netting period for NEB service.  
14 Additionally, Mr. Donovan's arguments fail to address how their proposed changes  
15 would affect NEB customers in practice, rather than simply in principle.

16 Q. How does the netting period for NEB service differ between the staff alternative and the  
17 company's proposal?

18 A. The staff alternative would allow customers to net their generation against their  
19 consumption annually, with any surplus generation credited to the customer at the

1 proposed Pg-2A rate, which is an avoided cost rate. The company's proposal, as filed,  
2 would net customer generation monthly, again with surplus generation credited to the  
3 customer at an avoided cost rate. To be clear, while other minor changes might have to  
4 be made in a final compliance filing to reflect the mechanics of how one proposal works  
5 versus the other, the difference in the netting period is the only significant difference  
6 between the staff alternative and what the company has proposed.

7 Q. Mr. Donovan argues that the current NEB service restrains customer's ability to offset  
8 usage from one month with generation in a different month through the \$25 credit  
9 issuance threshold, and that the proposed NEB service merely reflects a continuation and  
10 refinement of this principle. Do you agree with this assessment?

11 A. No. The transition from a retail rate to an avoided cost rate for surplus generation  
12 fundamentally alters the way NEB service works for enrolled customers. As such, it is  
13 important to evaluate whether the entire tariff still functions as intended, from a policy  
14 perspective, in light of this change.

15 It is true that the current NEB tariff limits the amount the customer can carry over  
16 on their account, from one month to the next to \$25. This, *in principle*, limits the  
17 customer to \$25 worth of generation credits that might be applied to future months.  
18 However, the assertion that this somehow limits the ability of the customer to offset  
19 consumption in one month with surplus generation from another ignores how the current  
20 NEB service works *in practice* for enrolled customers and fails to consider the NEB  
21 service from the customer's perspective.

22 Presently, if a customer is a net generator in a given month, they are credited for  
23 any surplus generation at the retail rate. If that credit is larger than \$25, the company

1 holds on to the \$25 and issues a check to the customer for the remainder. The customer  
2 then has the \$25 in their account with NSPW, *and* the value of any additional credit  
3 cashed out to them, to offset future months where they are net purchasers of energy. To  
4 assert that the \$25 held in the customer's account is the only offset against future net  
5 consumption periods is to argue that any credit amount cashed out to the customer above  
6 the \$25 threshold simply vanishes once it leaves the company. The practical implication  
7 of this is that, NEB customers are effectively able to net their generation against their  
8 consumption on an annual basis under the current NEB service. In fact, customers can  
9 potentially effectively net their generation against their consumption for as long as the  
10 retail electric rates remains unchanged, which could be as long as two years.

11 Finally, credit thresholds such as the \$25 level in NSPW's NEB tariff typically  
12 exist to avoid the cost of cutting numerous very small checks to customers. This is a  
13 reasonable practice as it allows the customer to operate more efficiently from an  
14 administrative point of view. However, within the context of NSPW's NEB service, I see  
15 no reason to consider it as any more than an administrative mechanism and as such I  
16 would argue that its existence should be ignored for the purposes of evaluating main thrust  
17 of the company's NEB proposal.

18 Q. Mr. Donovan indicates that NSPW is concerned about customers being able to roll over  
19 "large amounts" of excess generation under the staff alternative. Can you please clarify  
20 what the revenue impact of the staff proposal would be?

21 A. As indicated in my direct testimony, I performed a basic billing analysis comparing both  
22 the company's proposal and the staff alternative to the current NEB service.<sup>1</sup> Under both

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<sup>1</sup> PSC Ref #: 154316

1 proposals, NSPW gains additional revenue. Put another way, customers earn less from  
2 their sales of surplus generation to the company.

3 Under NSPW's proposal, the company will gain approximately \$18,462 of  
4 revenue. This is a 73 percent increase over the roughly \$25,223 the company current  
5 collects on net from NEB customers. Under staff's annual netting proposal, NSPW  
6 would still see an increase in net revenue, albeit slightly smaller. The company would  
7 receive approximately \$14,178 in additional net revenue, which is still a 56 percent  
8 increase over the status quo. The difference between the two is \$4,284.

9 Q. Mr. Donovan has expressed concern over the impact the NEB service may have on the  
10 rates of other customers. Could you please comment on the impact of the NEB service  
11 on other customers' rates?

12 A. NEB service inherently involves some subsidization where the costs of providing the  
13 service are borne by general rates. This subsidization is permitted, or even encouraged,  
14 because as a matter of energy policy it has been decided that there societal benefits to  
15 facilitating the installation of customer-owned renewable generation. Advanced  
16 renewable tariffs exist for similar reasons.

17 Before I continue, I believe that it is important to clarify something regarding the  
18 subsidization of NEB. The costs of providing NEB service are embedded in all retail  
19 electric rates, and since NEB customers pay standard customer and energy charges, NEB  
20 customers also bear part of the cost of providing the service they use. This is not to  
21 suggest that there is no subsidy to NEB customers, but rather to clarify that it is not a  
22 simple matter of "NEB customers win and all other customers lose."

23 Q. Please continue.

1 In order to evaluate the effect of NEB on other customers there are two important things  
2 to consider:

3 (1) What is the effect on rates? and,

4 (2) Is the service functioning “as intended”?

5 Admittedly, the total dollar impact of NSPW’s NEB service is impossible to  
6 know exactly due to the fact that NSPW’s current metering configuration only allows the  
7 utility to measure net consumption and generation. However, as the company’s proposal  
8 is primarily concerned with the treatment of net generation and consumption, one could  
9 consider the value of the credits issued to customers as a proxy indicator for the  
10 program’s total cost. Under the current NEB service, NSPW issues approximately  
11 \$25,351 in credits to enrolled customers annually, and customers are billed for  
12 approximately \$50,575 in consumption. For comparison purposes, \$25,351 is 0.0043  
13 percent of the company’s revenue requirement. As both the company’s proposal and the  
14 staff proposal would reduce the total benefits to NEB customers by a relatively large  
15 amount, this cost hardly seems overly burdensome.

16 The other consideration then is whether the NEB service is working “as intended”  
17 according to the policy driving it. As I noted in my direct testimony, NEB is defined by  
18 the federal Public Utilities Regulatory Powers Act (PURPA) as service intended to allow  
19 electric customers to offset electric energy provided by the electric utility with self-  
20 generation. It can be interpreted then that NEB is *not* intended as a way to extract a  
21 premium rate solely, or largely, for the purposes of selling large amounts of energy into  
22 the grid. Put another way, NEB is not intended as means to circumvent standard parallel  
23 generation rates that might be lower than desired. When considered on this basis, a

1 subjective way to evaluate whether or not NEB is being “gamed” is to consider the net  
2 cash flows of each customer to see if there are a large number of customers who are net  
3 sellers of energy to the company.

4 Under the current NEB service, approximately 74 percent of the current 54 NEB  
5 customers are annual net consumers of energy. Only fourteen customers are annual net  
6 sellers of energy, and the majority of these receive an average credit of only \$16.85 per  
7 month. Only two customers receive large credit payments in excess of \$1,000 annually.  
8 It seems then that the utility might be concerned that a small number of customers have a  
9 large mismatch between their generation capacity and consumption, and are “unfairly”  
10 extracting large benefits.

11 As a solution to this “problem,” NSPW’s proposal leaves much to be desired. To  
12 be sure, their proposed NEB service would decrease the credit payments to these two  
13 large net sellers of energy. However, it also would have a dramatic negative effect on all  
14 other NEB customers. Excluding the two large net sellers, NEB customers would see an  
15 average annual loss of \$114.97 under the utility’s proposal. Under the staff proposal that  
16 drops to \$39.01.

17 Approximately half of NEB would see no change under either proposal. However  
18 when one considers only those who do see an impact, again excluding the two large net  
19 energy sellers, the average customer would see an average annual loss \$221.42, versus  
20 \$75.13 under the staff proposal.

21 As I noted in my direct testimony, one of the largest benefits of the staff  
22 alternative I have proposed is that it preserves the relative annual cash flow position of all  
23 existing NEB. By, this I mean that all customers who have historically been, on net,

1 receiving payments from NSPW continue to do so, and vice-versa. Payers continue to  
2 pay (and pay the same amounts) and profiteers continue to profit, albeit at a lower rate. I  
3 provide additional detail on this comparison on pages 1 and 2 of exhibit 6.6. Of  
4 particular concern are a number of customers who would go from receiving small annual  
5 credits or being a small net payer, to owing the utility well over a hundred, or several  
6 hundreds of dollars.

7 Q. Do you agree with the company that the matching load requirement feature of their  
8 proposed NEB service is essential?

9 A. No. Due to the proposed transition to the Pg-2A avoided cost rate for net surplus  
10 generation, the matching load requirement is entirely unnecessary due to the company's  
11 obligations under PURPA.

12 Under PURPA, electric utilities are obligated to purchase energy and capacity  
13 from Qualifying Facilities (QF)<sup>2</sup> smaller than 80 megawatts (MW) in size.<sup>3</sup> While  
14 NSWP was recently granted an application to terminate the company's obligation to  
15 purchase energy and capacity from QFs that have a net capacity greater than 20 MW,<sup>4</sup> it  
16 is still obligated to purchase energy and capacity from QFs with a net capacity less than  
17 or equal to 20 MW<sup>5</sup>. A utility cannot be made to pay a rate higher than avoided cost, but  
18 can voluntarily pay a premium rate if it so chooses.

19 FERC has ruled that there is no sale of power for resale "when one party is using  
20 its own generating resources for the purpose of self-supply of station power, and

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<sup>2</sup> 18 C.F.R. § 292.303 (2011)

<sup>3</sup> 18 C.F.R. § 292.204(a) (2011)

<sup>4</sup> *Alliant Energy Corporate Services, Inc.*, 136 FERC ¶ 61,093 (August 10, 2011)

<sup>5</sup> Generators smaller in capacity than 1 MW that meet qualifications are not required to file with FERC to obtain QF status. Additionally, given that generation units smaller than 100 kW typically meet QF qualifications due to the limited array of technologies available at that size range, NEB customers are generally, by default, QFs.

1 accounting for such usage through the practice of netting.”<sup>6</sup> Likewise, “no sale occurs  
2 when an individual homeowner or farmer (or similar entity such as a business) installs  
3 generation and accounts for its dealings with the utility through the practice of netting.”<sup>7</sup>  
4 *Id.* It is only when the amount of energy generated exceeds the customer’s consumption  
5 over the netting period that a sale for resale occurs, and only in the net excess amount.  
6 Then, according to FERC, provided the individual’s generation is a Qualifying Facility  
7 (QF), “that net sale must be at an avoided cost rate consistent with PURPA.”<sup>8</sup>

8 At the end of the day this all means that, once their generation has been netted  
9 against their consumption, a NEB customer is indistinguishable from a Pg-2 or parallel  
10 generation customer vis-à-vis NSPW’s obligation to purchase energy and capacity. As  
11 there is no load matching requirement for Pg-2 customers, nor is there a load matching  
12 requirement under the company’s proposed Pg-2A/B/C tariffs, it would seem to be  
13 unreasonable to place such a restriction on NEB customers, particularly when one  
14 considers that NEB are orders of magnitude smaller than customers typically served  
15 under Pg-2.

16 Q. Could you please clarify for the record, your recommendations regarding a transition  
17 period for the NEB service?

18 A. In my direct testimony I suggested that, “given that most customers will see a smaller  
19 impact under the Staff alternative, a one year transition may be sufficient.” (page D6.84  
20 lines 13-14) By this, I meant to suggest that *if and only if* the Commission approves the  
21 staff NEB alternative, *and* if the Commission wished to reduce the length of time  
22 customers are grandfathered on the current NEB service, that a one year transition period

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<sup>6</sup> *MidAmerican Energy Co.*, 94 FERC ¶ 61,340, at p. 62,263 (2001)

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*



1 may be sufficient. However, this is not to suggest that a one year period is superior to a  
2 two year transition period.

3 Q. Did you wish to comment on your recommendation that language be added to the final  
4 tariff filing indicating that, should MISO implement a capacity market, a capacity credit  
5 shall be implemented reflecting the MISO capacity market methodology?

6 A. Yes, it has come to my attention that the Pg-2A and Pg-2B tariff sheets as filed in  
7 Mr. Donovan's exhibit (Exhibit 1.14R) already includes such language. As a result,  
8 provided that the company's final compliance tariffs reflect the example tariffs filed to  
9 date in this proceeding, the change I initially recommended is unnecessary.

10 Q. Does this conclude your surrebuttal testimony?

11 A. Yes, it does.

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